

U.S. Army NAF Employee Benefits Program

Civilian Personnel Office Desk Reference

Effective 1 January 2001



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**DA Forms and Processing Forms for the Army NAF Employee Benefits Program,
are available for download from the website at www.NAFbenefits.com**

Employee Benefits

Civilian Personnel Office Guidance For All New Regular Employees

Purpose: This guidance booklet provides general provisions and administrative procedures for employee benefit programs for eligible employees of the US Army Nonappropriated Fund Instrumentalities (NAFIs).

Eligibility: All regular full and part time Army Nonappropriated Fund employees, including limited tenure but excluding flexible appointments and all off-duty military personnel.

The Army also is executive agent for NAFIs of the Department of Defense, the Defense Logistics Agency, Defense Mapping Agency, Defense Intelligence Agency, National Security Agency, Civilian Marksmanship and the DOD Concessions Committee. Also covered under these programs are civilian NAFIs on Army installations (such as post restaurants and civilian welfare funds controlled by the board of directors, Army & Air Force Civilian Welfare Fund and civilian employees affected by PL 101-508, Portability of Benefits for Nonappropriated Fund Employees Act of 1990, and P.L. 104-106.)

General: The **U.S. Army Group Medical, Dental, and Life Insurance Plan** is designed to provide NAF employees with liberal medical insurance benefits and life insurance protection at a moderate cost to the employer and employee on an annually determined, cost shared basis. **The U. S Army NAF Retirement Plan** is designed to give retirement income benefits to NAF civilian employees. These retirement benefits, when combined with social security benefits, give retired or disabled NAFI employees, or their eligible survivor, a degree of financial security. **The U.S. Army NAF 401(k) Savings Plan** is designed to function as a qualified tax deferred plan and is intended to provide eligible employees with an attractive, convenient, tax deferred way to save additional amounts for retirement.

Commanders, civilian personnel officers and NAFI managers are required by Headquarters DOD to:

1). Provide administrative support for the employee benefits programs,

2). Provide benefits counseling of all programs to the newly hired and separating NAF employee,

3). Send reports as required,

4). Pay promptly for the coverage's provided, and

5). Publicize the Employee Benefits Programs to all regular Army NAF employees.

Employee Benefits Web Site: Employee Benefits has a web site which contains current information, new Employee Benefit releases, updated Travel Guides for Medical, Life, Retirement and 401(k), retirement projection planning worksheets, 401(k) projection worksheets, direct access to on-line 401(k) accounts through Fidelity Investments Inc., updated CPU desk reference, current open season booklet and general information about the Army NAF Employee Benefits Program. You can also email us directly from our web site.

The website address is:
www.NAFbenefits.com

E-mail address is:
NAFbenefit@cfsc.army.mil

Retirement Plan



Mandatory Enrollment Effective 1/1/2001

Effective 1 Jan 01, participation in the NAF Retirement Plan will be mandatory for new hires, rehires, and those who become eligible for benefits. Current employees will not be required to enroll. When processing these employees, please be sure to "X" the block next to "I elect to participate" in item 15, DA Form 3473, Part 1. Employees mandatorily enrolled will not be able to opt out of the Plan until they have participated for six months. Employees who later opt out after six months, will only be able to cash out their Retirement Plan contributions when they separate employment or convert to an ineligible status.

The USANAF Retirement Plan is a defined benefit plan that is available through payroll deduction, currently 2% contribution required by the employee and 6.5% required by the employer. At retirement, minimum ages 50 with 20 years of participation or 52 with 5 years of participation, the retiree will receive a monthly benefit for the rest of his or her life that is computed based on the retiree's Hi-3 year's average annual salary, accumulated sick leave and years and month's of participation in the Plan (creditable service). If the retiring employee's highest 3 year average annual salary span, is other than the last 3 years of employment, the benefits office must be notified. The W-2 salary information will need to be obtained for the prior timeframe in order to issue the correct benefit. If the employee does not have W-2 records and his/her Hi-3 salary period was other than the last 3 years of employment, inform the employee that it may take weeks to obtain the records. ([A Microsoft Excel 6.0 Program to run a Normal, Early or VERA retirement projection is also available for download on our website at www.nafbenefits.com](#))

Normal and Survivor Benefit: The retiree in most cases will receive his/her contributions in full within 1 to 2 years of monthly annuity payments, so after that, the retiree's monthly annuity is paid by the Plan for the rest of his/her life:

(For example, a participant who is age 62, salary each year was \$20,000.00, participated 20 years and contributed 2% per year (\$400 annually), would receive an estimated monthly annuity of \$433 from age 62 until death. After 26 months of retirement, all contributions and interest the retiree paid to the plan will be returned through monthly payments, therefore from age 64 and 2 months for the rest of that retiree's life, the plan will pay \$433 per month, plus an annual Cost of Living Adjustment (COLA). Upon the retiree's death, the plan will pay the surviving spouse 55% of the retiree's benefit for the rest of his/her life too! If that retiree lived until age 90, the Plan will have paid the retiree \$145, 000, plus COLAs.! Then, if the retiree had a spouse who lived another 10 years, the Plan will have paid the spouse an estimated additional \$28,578.00 plus COLAs! That's a 21.6 times return on your investment.

To review the Plan's formula, you must reference the **Army NAF Employee Benefits, Retirement Plan Summary Plan Description, Effective 1 January 2001** and available at www.nafbenefits.com.

Defined Benefit Retirement Plans provide definite income replacement at retirement. A general rule of thumb to follow and explain to your employees is the following regarding income replacement.

Years of Participation	% Salary Replacement
5	6%
20	26%
25	34%
30	42%

This program is an excellent way to begin retirement planning at a very minimal cost. For example: The same employee mentioned above making \$20,000.00 annually, will contribute only **\$15.38 every payday** to the Plan. Employees may only stop contributing to the Plan once, after stopping a second time, the employee is never permitted to participate in the plan again.

Early Retirement Benefit--This benefit is the same calculation as the normal annuity benefit, except that it is reduced by 4% for each year the retiree is under age 62 at retirement. (For example, the employee elects to retire at age 52 with 5 years participation in the Plan, his/her benefit will be reduced by (4% times 10 years or 40%.) However, the Plan will pay a supplemental early retirement benefit (**SERB**) in addition to the reduced monthly benefit, until age 62. At age 62, the **SERB** will stop. There are two age and creditable service combinations for early retirees in which their benefit will not be reduced. If the employee retires at any age on or after 55 with 30 years of creditable service, or any age on or after age 60 with 20 years of creditable service. Sick leave cannot be used to help reach the service requirement for one of the aforementioned combinations. The service must be actual years participated in the Plan (plus military service credit purchase) and age must be attained by the employee's separation date. To review the SERB formula, you must reference the **Army NAF Employee Benefits 401(k) Savings Plans Booklet, edition January 1, 2001.**

Non-Redeposit of Refunds-
Effective 1 Jan 98.

Effective 1 Jan 98, participants of the retirement plan are no longer required to buyback prior credited service, after a refund has been issued. The benefits office will actuarially reduce the benefit to account for the missing contributions

and interest. In many instances, the employee will benefit more by NOT re-depositing a prior refund!

Voluntary Early Retirement Authority (VERA) and Discontinued Service Retirement (DSR)--Effective 1 Jan 97, a VERA and DSR was added to the Retirement Plan.

a. **VERA**--Each activity in which VERA was requested must meet a 5% reduction in force. . All requests for VERA/DSR must obtain prior approval from the Assistant of the Army (Manpower and Reserve Affairs) ASA M&RA. Eligibility requirements are 25 years of credited service and any age, or age 50 with 20 years of credited service. Participants who are approved for VERA and meet eligibility requirements, will have their benefit reduced by 2% per year for each year the participant's age is less than age 55. Regular early retirement reductions are 4% per year from age 62. [A VERA projection in a Microsoft Excel 6.0 format is available for download in the Retirement Section at www.nafbenefits.com](#)

b. **DSR**--The employee must have been participating in the retirement plan for at least one year within the 2 year period immediately preceeding separation upon which the annuity is based. The employee must be at least age 50 and have 20 years of creditable service in the Army NAF Retirement Plan or have participated 25 years in the Army NAF Retirement Plan and the employee must be facing involuntary separation through BBA (Business Based Action). The reduction is the same as described under VERA. [A DSR projection in a Microsoft Excel 6.0 format is available for download in the Retirement Section at www.nafbenefits.com](#)

Survivor Benefits for Active Employees – An employee who dies while actively employed, who is participating in the retirement plan and is vested in the retirement plan, will have 55% of his/her benefit payable to the surviving spouse. If the employee was otherwise eligible for a normal or early annuity benefit upon his/her death while actively employed, the 100% continuation benefit option is payable to the surviving spouse.

Survivor's of Early Retirees--The surviving spouse of an early retiree is entitled to 55% of the SERB amount until the 62nd birthday of the retiree, had the retiree lived. This SERB amount is in addition to the 100% option or 55% option which was elected by the retiree on his/her option papers. If the spouse signed a waiver form at the

employee's retirement, this section will not apply to the survivor.



Disability Benefit: The Plan also provides a disability benefit. Approved disabilities can begin at any age if the employee has participated in the Plan for at least 5 years. Employees over age 52 are eligible for disability benefits if they participate in the plan for the 12 months immediately preceding disability retirement. If an employee is disabled, the CPU will provide EBB Form 766R to the employee and the attending physician for completion. EBB Form 766R is a reproducible form and can be downloaded at www.nafbenefits.com

Survivor of a Disability Retiree-- The survivor is entitled to 55% of the retiree's disability benefit for the rest of his/her life. If the survivor receives the retiree annuity check after the death of the retiree, the check is to be returned to the disbursing agent, John Hancock Financial Services. The return address is located with the annuity check. The SERB is not payable to disability survivors.

Buyback of Credited Service for Re-hired

Army NAF employees

Army NAF employees who are re-hired and participated in the Army NAF Retirement Plan during their former period of employment, and received a refund of contributions and interest, are eligible to "buyback" their credited service within 2 years of Army NAF re-employment. The employee must pay all contributions and interest within 2 years of his/her rehire date. Effective 1/1/98, employees are not required to "buyback" prior credited service. The employee will still be eligible for the credited service and the retirement plan will actuarially reduce the benefit, to make up for the missing contributions and interest. The amount due to buyback service will be the amount of the original contributions & interest which were refunded to the participant plus 3% interest compounded annually up to 2 years after re-hire in an eligible position, plus 8% interest compounded annually for each year after that. The employee should make his/her request to buyback service to the Employee Benefits Office.

Re-hired Pensioners--Retirees who are receiving a monthly annuity benefit from the U.S. Army NAF Retirement Plan, who are rehired in a regular Army NAF position, must cancel their



annuity benefit. It is against Army Regulations to be eligible to participate in the Retirement Plan and receive a monthly annuity check. Retirees who elect not to participate in the Retirement Plan upon rehire, are still required to stop their annuity benefit for the duration of their regular re-employment. CPO must contact the employee benefits office when a retiree has been rehired in a regular NAF position and complete DA Form 3473 indicating a re-hired annuitant. Flexible appointments for retirees permit the retiree to continue receiving their monthly annuity benefit.

Retirement & 401(k) Projections: The website contains user friendly retirement projection spreadsheets. The projections have been created as Microsoft Excel Version 6.0 Spreadsheets. The type of projections on the file are Normal, Early and VERA. The 401k projection shows possible investment earnings, based on a estimated rate of return. You may enter the employee's current 401(k) balance and then run 2 separate investment scenarios, between 1% and 22% deferrals. The spreadsheet also contains a calculation which shows the maximum amount an employee may contribute for 26 payperiods, and not exceed the IRS Annual Maximum Contribution Limit. This spreadsheet is also available at www.nafbenefits.com

PORTABILITY OF BENEFITS

Portability of Retirement Benefits Between NAFIs of different branches of the Armed Forces (AAFES, Marines, Air Force, Navy, Navy Exchange or Coast Guard)--

a. When a RFT or RPT(AAFES RPT employees are not eligible for benefits) DoD Component NAFI employee, who is participating in the Component's NAFI retirement plan, terminates employment (for reasons other than retirement) and is employed by another DoD Component NAFI within 90 calendar days, and the gaining NAFI offers a different retirement plan, the employee will carry forward his/her credited service accrued for retirement annuity purposes. The re-employed employee shall carry forward all prior credited service as accrued up to the date of termination or subsequent termination. This is not applicable for transfers which occurred between August 1975 and April 1983, except for transfers of function or reduction in force. (Exception: If the gaining NAFI retirement plan does not cover part-time employees, then crediting part-time service from a different NAFI is not required).

b. Upon retirement from the gaining DoD Component NAFI, the employee's retirement annuity shall be the same as if the entire period of combined creditable RFT NAFI service had been creditable under the gaining DoD component NAFI retirement plan. The retirement annuity determined under the gaining NAFI retirement plan shall then be reduced by the amount or amounts that would be payable under the losing NAFI retirement plan or plans.

c. When the employee terminates employment with the losing NAFI before becoming vested, the employee will not be entitled to any benefits from the losing NAFI, except for a withdrawal of his or her own contributions. However, credited service rendered for the losing NAFI shall be carried forward and counted when determining the employee's accrued benefits and shall further be counted in determining the employee's position on the vesting schedule of the gaining NAFI retirement plan. (However, the position on the vesting schedule is not applicable for determining any eligibility for a disability annuity, as the requirements for such vesting are those of the gaining NAFI's retirement plan only.) When such terminated employee withdraws his or her contributions before becoming vested in the losing NAFI's plan, the retirement benefits due from the gaining NAFI plan will be reduced and offset by the amount which follows:

The gaining NAFI's retirement plan computation will be used. It will be based on all accrued credited service earned from both DoD Component NAFI's retirement plans (the losing and the gaining), and will be offset by the amount which would be payable under the losing DoD component NAFI at age 62.

The actual losing NAFI annuity calculation will be based on the annuity formula in effect at the time of termination of employment from the losing NAFI.

c. When an employee is not vested with the losing NAFI's retirement plan, the losing NAFI must compute a retirement benefit under its retirement calculation anyway. This figure, which in most cases will be very small, will be supplied to the gaining NAFI by the Employee Benefits Office. The gaining NAFI will use this figure to offset from its benefit. CPOs should contact the Employee Benefits Office when an employee is transferring to another DoD component NAFI so the benefit can be computed at the time of move between components.

d. Vested employees in the losing NAFI's retirement plan may not elect to receive their annuity from the losing NAFI's plan, until they retire from the gaining NAFI's plan.

e. If a vested employee has reached the minimum age requirement to elect an annuity on the date of the move between components, and elects said annuity to begin on that date, then credit for prior service will not apply to that individual. This employee will be treated as a new hire at the gaining DoD component NAFI as if he/she never had any prior NAF service.

f. The employee and employer contributions from losing DoD component NAFI retirement plan, WILL NOT be used to fund the gaining DoD component NAFI retirement plan. The employee and employer contributions will remain in their respective retirement funds. **The prescribing directive is DoD 1401.1M Personnel Policy Manual for NAFIs, Edition December 1988.**

**Portability of Benefits for Nonappropriated
Fund Employees
NAF to APF or APF to NAF**

1. Public Law 104-106, The National Defense Authorization Act for Fiscal year 1996, permits certain employees to combine their FERS/CSRS vested service under NAF. A NAF employee can elect to combine APF service in a NAF plan if all six of the following conditions are met

a. the qualifying move was not from Civil Service Retirement System to NAFI system.

b. the employee was vested in the APF retirement system prior to moving to NAF.

c. the qualifying move occurred after December 31, 1965 and before August 10, 1996.

d. the employee began employment in the NAFI retirement system no more than 1 year after separating from APF employment

e. the employee remained continuously covered by the NAFI retirement system since the date of the qualifying move and

f. the employee has not had a prior opportunity to elect to remain in the NAFI retirement system and combine past APF service with NAFI service after the qualifying move. However to qualify to remain in NAFI retirement and combine past APF retirement service, only the first 5 conditions must be met. This means that if a NAF employee had a previous opportunity to elect the APF retirement system, he/she is not precluded from combining creditable, vested APF/FERS service under the NAFI retirement system.

2. **Public Law 101-508** as amended by P.L. 104-106, permits vested civilian employees of NAF Retirement Plans and the Civil Service Retirement Plan (**CSRS**) or the Federal Employees Retirement System (**FERS**), to retain retirement credit from previous positions when they move between Appropriated and Nonappropriated positions without a break in service of more than three calendar days. The Act allows vested Nonappropriated Fund (**NAF**) employees who move to an appropriated fund (**APF**) position, the opportunity to make a one time election to retain coverage in their NAF Employee Retirement and 401(k) Savings Plans, if elected within 30 days. It also allows APF employees who move to a NAF position the opportunity to make a similar one time election to retain coverage under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) if they have five years creditable service and also elect to remain in the Thrift Savings Plan (**TSP**). Employees are prohibited from concurrent participation in either the US Army NAF Employee Retirement Plan or the US Army NAF 401(k) Savings Plan if they are participating in the CSRS or FERS and vice versa.

3. All other vested transferred positions require completion of **Form NAF-CSRS, edition August 96**. This form is available at the end of this document. This form contains a lifetime election. If the vested NAF employee elects to retain participation in the NAF Retirement and 401(k) Savings Plan, he/she will never be eligible to participate in FERS for the rest of his/her career within DoD. The same rules apply for vested Civil Servants who elect to retain participation in the CSRS and FERS and the Thrift Savings Plans, can never participate in the NAF Retirement Plans for the rest of his/her working career within DoD. This form is required and must be submitted with DA Form 3473 at the time of movement between the systems, to the Employee Benefits Office.

4. Civilian Personnel Offices must notify servicing payroll offices of employee's retirement election via **SF 50** action. The applicable NAF retirement plan must be annotated as a remark.

5. The DFAS directive for Army NAF benefits payroll deductions are as follows: Army NAF Employee & Employer Retirement Plan deductions and 401(k) Savings Plan Employee & Employer Contributions must be made biweekly and submitted to the following address biweekly: NAF Financial Services, ATTN: Retirement

Portability Desk, PO Box 6111, Texarkana, TX 75505-6111. **DFAS instructions dictate frequency to be biweekly to arrive not later than 3 work days after the official pay day of the submitting payroll office.** Media: Data: Hardcopy report with detailed instructions for deductions if more than one biweekly payperiod is enclosed. Funds: U.S. Treasury check addressed to the Reporting Location. Remitting instructions in detail are located at www.nafbenefits.com

6. The new APF employee who elects to retain coverage in the Army NAF Retirement Plan and 401(k) Savings Plan, may desire to increase or decrease employee deferrals in the 401(k) Savings Plan. The servicing APF CPO must coordinate completion of the 401(k) Enrollment Form changes with the servicing APF payroll office that submits the time and attendance biweekly to the servicing Defense Finance Accounting Service (DFAS) office via DCPS. Any address changes must be completed on DA Form 3473 part I and the Army NAF 401(k) Enrollment Form and coordinated with the servicing APF payroll office. The servicing APF office must alert the Portability Desk in Texarkana, Texas of the address change. Additionally, the Employee Benefits Office must receive a copy of the address change for their records.

7. The APF employee participating in the Army NAF Retirement Plan and 401(k) Savings Plan, is eligible for the Civil Service medical and life extension plans provided the minimum participation requirements have been met. Army NAF medical and life plan participation time can be used to meet the APF required participation time. These employees are not eligible for the Army NAF medical and life extension plans at retirement.

The prescribing directive is: The Army NAF Employee Benefits Retirement Plan Booklet, effective date January 1, 2001 and the Army NAF Employee Benefits 401(k) Savings Plan Booklet, effective January 1, 2000, AR 215-3 and the DFAS Memorandum, SUBJECT: Guidance for DoD Employee Benefit Portability, dated 23 DEC 91 and Memorandum dated 3 September 96, Signed by Ms. Carol Ashby Smith, Subject: Elections of Retirement Coverage by Current and Former Nonappropriated Fund (NAF) Employees.

**U.S. ARMY NAF EMPLOYEE BENEFITS
PROGRAM CIVILIAN PERSONNEL
OFFICE DESK REFERENCE
Military Service Buyback Procedures**

**SUBJECT: Procedures for Requesting,
Funding and Crediting Certain Military
Service in the U.S. Army Nonappropriated
Fund Employee Retirement Plan**

1. Background and Authority: In its 14 Oct 97 meeting, the MWR Board of Directors approved recognition of certain military service of participants in the US Army Nonappropriated Fund Employee Retirement Plan (the Plan). A Plan amendment to accomplish this change is effective 1 Jan 98.

2. Applicability: This change to the Plan may only affect eligible actively employed and contributing participants prospectively from 1 Jan 98. (Note: employee eligibility for retirement plan participation is covered elsewhere in this desk reference.)

3. Purpose: The intent of this supplement to the Desk Reference is to establish procedures under which eligible participants in the Plan may receive credit in the Plan for qualifying honorable, active duty service in the Armed Forces of the United States.

4. Affect on Qualifying Service for Retirement: Military service credited will be for benefit *computation and entitlement* purposes.

5. Affect on Benefit Payable from the Retirement Plan: Qualifying military service that becomes creditable under this guidance is combined with existing credited service for the purpose of *computation and entitlement* purposes of the participant's (or survivor's) benefit.

6. Eligible Military Service: Participants in the Plan may receive credit for benefit *computation and entitlement purposes* for qualifying military service not to exceed five (5) years. Qualifying military service can become credited service under the Plan by meeting all of the following requirements:

a. The service must have been terminated under honorable conditions in the Armed Forces of the United States listed below:

(1) Army;

- (2) Navy;
- (3) Air Force;
- (4) Marine Corps;
- (5) Coast Guard.

b. The following types of separations are honorable:

- (1) Under honorable conditions;
- (2) Separation because of hardship;
- (3) Transfer to retired list because of age or disability;
- (4) Transfer to Fleet Reserve;
- (5) Furlough to Reserve Forces;
- (6) General discharge (under Honorable Conditions) and
- (7) Death in action.

c. The military service may not be used previously, concurrently, or subsequently for either entitlement or computational purposes in any other retirement system or retirement plan including, but not limited to the Retirement System of the Armed Forces of the United States (except for individuals receiving military retired pay awarded on account of a service-connected disability incurred in combat with an enemy of the United States or on account of a service-connected disability caused by an instrumentality of war and incurred in the line of duty during a period of war, or under the provisions of 10 United States Code 1331-1337, Chapter 67 which grants retired pay to members of reserve components of the armed forces on the basis of age and service), the Civil Service Retirement System, or the Federal Employees' Retirement System, the retirement systems of any other nonappropriated fund instrumentalities of the United States, of any State or instrumentality thereof or any municipality or instrumentality thereof. Military service which has been credited under any of the foregoing will not be creditable under the U.S. Army Nonappropriated Fund Employee Retirement Plan.

(1) The military service must have been performed before the date of the separation from the civilian position from which title to the annuity is based.

(2) The participant must complete a deposit to the Plan as prescribed by the Benefits Program Manager prior to commencement of the benefit entitlement. Survivor(s) of a participant who has provided written notice to the Benefits Program Manager of his/her intent to purchase eligible military service, but has been prevented by separation from completing the purchase transaction, will be afforded an opportunity to complete the transaction in a lump sum prior to commencement of payment of any benefit from the Plan.

7. Procedural Overview: Specific detailed procedures follow later in this supplement. The following is a summary of the process which would routinely lead to crediting of eligible military service to the account of a participant in the Plan:

a. The participating employee begins the process by signing and forwarding the "Statement of Intent" Form Letter and EBB form 2800, "Application to Make Deposit for Military Service" and DD form 214 to the Benefits Program Manager.

More detailed procedures are provided later in this supplement if the participating employee does not have DD form 214. Non-participating employees must join the plan and then follow instructions for participating employees. Service will not be credited until the employee has participated 5 or more years.

b. The participating employee must (either concurrent with or after a above) provide documentation of base military pay for the military service recognized by the Plan.

c. After receiving the information in paragraph 7a and 7b above, the Benefits Program Manager will:

(1) Compute the amount the participant must deposit to the Plan for the military service credit, not to exceed five (5) years.

(2) Advise the participant in writing of the deposit required and various payment terms available to him/her.

(3) Concurrently provide the participant with an estimate of his or her projected retirement calculation with and without the military service at issue.

(4) Require the participant to elect his or her preferred manner of payment of the required deposit by election on the form provided by the Benefits Program Manager. Concurrently, the

participant's election authorizes the participant's servicing payroll office (if applicable) to withhold the stated periodic payments from the participant's pay.

d. Upon receipt of the full deposit required, the Benefits Program Manager will:

(1) Provide written confirmation to the participant of:

(a) Receipt of the full deposit;

(b) Adjustment of the participant's retirement credited service account for the military service. (Adjustment of credited service will not occur until the employee has participated in the retirement plan for a minimum of 5 years)

(2) Authorize and direct the participant's servicing payroll office to adjust the "cumulative retirement contributions" field on the participant's earnings and leave statement to reflect the deposit for military service.

8. The detailed procedures follow

**Detailed Procedures for
Requesting, Funding and Crediting
Certain Military Service
in the
U.S. Army Nonappropriated Fund Employee
Retirement Plan**

1. Employee/Participant must:

a. Sign Statement of and submit it to the Benefits Program Manager with:

b. Submit the following documentation:

(1) A completed EBB Form 2800, "Application to Make Deposit for Military Service Credit to the U.S. Army Nonappropriated Fund Employee Retirement Plan"

(2) DD Form 214, "Certificate of Release or Discharge from Active Duty,"

NOTE==> If DD Form 214 is not available, the employee may obtain a copy from the appropriate military records center by submitting SF 180 and

(3) Acceptable base pay documentation as follows:

(a) Actual pay records for the entire period of military service attached to EBB form 2800 or

(b) EBB Form RI 20-97 (Estimated Earnings during Military Service)

2. Upon receipt of the information and documentation in paragraph 1 above, the Benefits Program Manager will compute the amount due (the deposit) for the military service credit in the following manner:

a. The Benefits Program Manager will compute seven percent (7.0%) of base military pay for entire period of creditable military service. If the participant has more than five (5) years of service, the Benefits Program Manager will compute seven percent (7.0%) of the lowest salaried five (5) year period of military service.

b. If the entire deposit is not paid within the time period described below, the Benefits Program Manager will compute interest at eight percent (8.0%) compounded annually:

(1) for employees or for participants who were participating in the Plan on 1 Jan 98, interest is first added to the unpaid balance of the deposit on 1 Jan 2001.

(2) for employees or participants whose entrance on duty date is 1 Jan 98 or later, interest is first added to the deposit and computed on the unpaid balance of the deposit three (3) years from the participant's entrance on duty date.

c. If an employee wants to make the deposit through payroll deduction over a period of time, the Benefits Program Manager computes the interest amount due through the period of time stated by the employee. The Benefits Program Manager divides the deposit by the number of payperiods covering the period selected by the participant. This is the biweekly amount due for that period of time. Minimum biweekly payment amount is \$25.00. If the biweekly payment is insufficient to complete the entire deposit during the interest free time period, interest will be required only on the balance remaining at the end of the interest free time period. The Benefits Program Manager will provide the participant with payment election of a biweekly payment or one lump sum payment.

3. The Benefits Program Manager provides the participant with a projection of his or her estimated pension benefit with and without military service credit and a separate projection

including military service credit assuming the participant's salary increases on an average of two percent (2.0%) per year. The participant can then compare the projected estimated monthly annuity benefit with and without the military service credit.

4. Military service will not be credited until full payment of the deposit has been received by the Benefits Program Manager. If the participant has not paid for the whole period of military service by his/her separation date, he/she (or the survivor(s) if applicable) will be afforded an opportunity to deposit any balance remaining in a lump sum. If the remaining balance is not paid by the participant or survivor(s) in a lump sum, all partial payments received by the Benefits Program Manager through the separation of the participant will be refunded to the participant or survivor(s) as appropriate without credit for the military service. *Additionally, military service will not be credited until the employee has participated in the retirement plan for a minimum of 5 years.* If employee separates before participating in the retirement plan for a minimum of 5 years, he/she will receive a full refund of the military service credit deposit and contributions to the retirement plan.

5. Military service deposits will not be required for periods of military service before 1 Jan 57. Participants must submit proof of military service in accordance with above instructions. Employees must participate in the retirement plan for a minimum of 5 years to received free credit for military service prior to 1 Jan 57.

6. Point of Contact for the Benefits Program Manager is the Retirement Supervisor: Ms. Patricia Nadeau 703-681-7264. Toll free U.S. 1-877-384-2340.



This Plan is an excellent addition to the Retirement Plan to effectively plan for a comfortable retirement.

Enrollment in the 401(k) Plan requires completion of DA Form 7426, Application for USANAF Employee 401(k) Savings Plan. The form is available under the forms section of www.nafbenefits.com.

All regular employees are eligible to participate in the 401(k) Plan beginning with any payperiod. Participants may contribute from 1% to 22% of their salary into a tax deferred savings plan. The employer will match (give the employee) up to 3% for participating in the plan. The employer match is as follows:



If the employee (EE) contributes the below percentage, the employer (ER) will match with the percentage listed below

EE	ER
1%	1%
2%	2%
3%	2.5%
4%-22%	3%

A good example to present to the employee is the following: If 4% of your salary is \$100.00 and you save this amount in the 401(k) Plan, your employer will give you \$75.00 to save in the Plan.

All deductions will go into the **Retirement Money Market Fund** (lowest risk) until the employee calls **1-800-835-5093 U.S. (Fidelity Investments)**. The Army's Plan number is **90076**. The employee may move funds in whole percentages to any one of the seven investment funds listed later in this section. Various mixtures are permitted among all the funds or even just one fund, whatever the participant chooses. The employee may change the investments on the

toll-free line as often as daily, although it is not recommended to change funds frequently. The general teaching of mutual funds investing is "**let TIME AND COMPOUND INTEREST work for you**" Employees may stop contributing to the 401k plan at anytime and may rejoin it again as often as every payperiod. There is no penalty for stopping and re-starting participation.

Withdrawals from 401(k) Savings Plan--



Separating employees are not required to request a payout or rollover. They may leave their contributions in the Plan and pay the quarterly maintenance fee of \$4.25. This fee will be deducted quarterly and shown on the quarterly statement.

When the funds are taken out at separation, the employee must pay tax on the funds and a 10% penalty if the employee is under age 59 1/2. The IRS establishes the rules governing 401k savings plans. The best tax choice at separation or retirement is to roll over the funds into a tax deferred IRA, rather than taking a refund before age 59 1/2.

Fidelity Investments offers a rollover individual IRA with the same investment options available as the NAF 401(k) Savings Plan, plus additional options. Additionally, the Fidelity IRA also offers a monthly benefit option for tax advantage purposes. Separating employees should complete the 401(k) Payout Form and submit to the Employee Benefits Office with DA Form 3473, coded 04.

Separating employees who want a payout of their 401(k) deferrals, may call Fidelity directly and request the payout. Payouts will not be released until 30 days from separation, which is when the payroll termination code is uploaded to the Fidelity system files.

HARDSHIP WITHDRAWALS: Participants may take a hardship withdrawal if approved by Fidelity Investments Inc. The IRS permits hardship withdrawals only for the following events:

1. tuition for post-secondary education for the next semester or quarter for the participant, spouse or dependent;



2. certain medical expenses for the participant, spouse or dependent;



3. purchase of your principal residence



4. payment to prevent eviction from your principal residence or foreclosure on the mortgage of your principal residence.



Hardships are subject to tax and a **10% penalty** for early withdrawal if the employee is under age 59 1/2. Hardship withdrawals will only be the employee contributions, not the employer contributions. Fidelity Investments will notify the IRS of the early withdrawal. Fidelity will withhold 20% Federal Income Tax. It is up to the employee to file the 10% penalty fee and to file with their state income tax office. Once a hardship withdrawal has been made, the employee may not contribute to the 401(k) Savings Plan for one year.

To request a hardship withdrawal, the employee must call Fidelity Investments Inc. directly. Proof of hardship must be submitted in accordance with IRS regulations.

LOANS BY PHONE: Employees may borrow money from their 401(k) accounts by making a telephone call to the Investment Manager (currently Fidelity Investments Inc.). Any active, paid employee of the U.S. Army who is participating in the U.S. Army NAF 401(k) Savings Plan and whose pay is processed by NAF Financial Services in Texarkana, TX, is eligible to borrow from the Plan.

THE RULES:

1. Employees must have a minimum vested balance of \$2000.
2. One loan permitted at a time.
3. Must wait 3 months from the time one loan is repaid before taking out another loan.
4. The smallest loan is \$1000.
5. The maximum loan is 50% of your vested value or \$50,000.00, whichever is less.

6. Loans must be paid back bi-weekly through payroll deductions over a period not to exceed 5 years. If the loan is for a downpayment of a principal residence, then the IRS permits payback over 15 years.
7. The interest rate is the prime rate plus 1%, but the employee is paying himself the interest.

Vesting--Means you are entitled to the employer contributions. You are vested under the following circumstances only:

1. After 3 years of regular Army NAF employment.

2. Participants turning age 62 are immediately vested, regardless of length of participation in the 401(k) Savings Plan.

3. If the participant dies, he/she is immediately vested regardless of length of participation in the Plan.

4. If the employee is totally disabled (determined by the Surgeon General), he/she is immediately vested regardless of length of participation in the Plan.

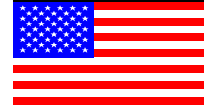


Quarterly Statements:

Participants will receive a statement of account once every quarter. The statement will come to their home address. The statements contain each investment fund's historical performance as well as the individual's account performance.

(A projection of possible 401(k) earnings is enclosed on the diskette that contains this desk reference. The projection is a Microsoft Excel 6.0 Worksheet and is self explanatory. Employees may be interested in seeing how their money may grow if they invest in the 401(k) Savings Plan). This spreadsheet is also available at www.nafbenefits.com

All 401(k) Plan contributions are tax deferred.



What this means is the employee does not have to pay tax right now on the money which he/she saves in the Plan. If an employee makes \$20,000.00 and elects to save 4% or \$800.00, then he/she will be taxed at the end of the year on \$19,200.00 instead of \$20,000.00. Once the money is withdrawn from the Plan, it is taxable.

The next page shows the investment performance history for the life of the plan, as of 30 Dec 00 for each of the funds. Obviously this history will change with each day/quarter, but the participant will be able to see the trends with

each quarterly statement which will be sent to his/her home.

It is very important that the employee understands there are no guarantees on investment earning results. Please read the Fund descriptions later in this section and make sure the employee understands the investment risks and only invests at their own comfort level..

The prescribing directives are: Army NAF Employee 401(k) Savings Plan Booklet, issue date 1 January 2001 and AR 215-3.

Let time and compound interest work in your favor!



**Return
Rates as of
12/30/00**

Life of Fund

Retirement Money Market 5.60%

Fund Began 1988

A Money Market fund which seeks a high level of current income as is consistent with the preservation of capital and liquidity. It invests in high quality, US dollar denominated money market instruments of U.S. and foreign issuers. while the Portfolio seeks to maintain a \$1.00 share price, there is no assurance that it will be able to do so. An investment in the Portfolio is not insured or guaranteed by the U.S. government. The Portfolio's yield will fluctuate. Retirement Money Market Portfolio is a relatively conservative, low-risk investment.

U.S. Bond Index 8.35%

Fund Began 1990

An income fund. It seeks investment results that correspond to the aggregate price and interest performance of the debt securities in the Lehman Brothers Aggregate Bond Index. The Aggregate Bond Index is comprised of the Lehman Brothers Government Bond Index, Corporate Bond Index, and Mortgage-Backed Securities Index.

Dividend amounts will vary. The Portfolio's share price, yield and return will fluctuate.

Asset Manager 12.91%
Fund Began 1988

An asset allocation fund. It seeks high total return with reduced risk over the long term by allocating its assets among domestic and foreign (including emerging markets which involve greater risks) equities, bonds and short-term instruments. The Fund may gradually shift its assets among and across these groups, within defined ranges, based on the current outlook of the various markets. The Fund will allocate its assets within the following investment parameters: 10-60% in stocks; 20-60% in bonds; and 0-70% in short-term instruments. Over the long term, the Fund's allocation will generally fluctuate around a neutral mix of 40% stocks, 40% bonds, and 20% short-term instruments. Share price, yield and return will fluctuate.

Growth & Income 18.03%
Fund Began 1985

A growth and income fund. It seeks high total return through a combination of current income and capital appreciation. It invests in securities of companies that pay current dividends and offer potential growth of earnings, such as common stocks, securities convertible into common stocks, preferred stocks and fixed-income securities. Dividend amounts will vary. The Portfolio's share price and return will fluctuate.

Growth Company 19.55%
Fund Began 1983

A growth fund. It seeks long-term capital appreciation by investing primarily in common stocks and securities convertible into common stocks. it may invest in companies of any size with above-average growth potential though growth is most often sought in smaller, less well known companies in emerging areas of the economy. The stocks of small companies often involve more risk than those of larger companies. The Fund's share price and return will fluctuate.

Overseas 15.88%
Fund Began 1984

An international growth fund. It seeks long-term capital growth primarily through investments in foreign securities. These investments may include common stock and securities convertible into common stock, as well as debt instruments. Normally, at least 65% of the Fund's total assets will be invested in securities of issuers from at least three different countries outside of North America. it is important to remember that

foreign investments pose greater risks and potential rewards than U.S. investments. The risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. The Fund's share price and return will fluctuate

Spartan U.S. Equity Index 16.08%
Fund Began 1988

Spartan U.S. Equity Index fund is a growth and income fund. It seeks investment results that try to duplicate the composition and total return of the S&P 500(r). The fund invests primarily in the 500 companies that make up the S&P 500 and in other securities that are based on the value of the Index. The fund's manager focuses on duplicating the performance and composition of the Index versus a strategy of selecting attractive stocks. The Fund's share price and return will fluctuate

Current information appears in each quarterly statement sent to the participating employees. For daily information call Fidelity's Toll Free Number USA 1-800-835-5093; All else call collect 801-534-1910

DoD Uniform Plan



Eligibility-- New employees may sign up for medical insurance within 31 days after starting a regular position or during the Open Season Period only. This coverage is valid for as long as the premium is being paid.

Pre-Tax Health Premium Program

Effective 1 Jan 01, IRS Code Section 125 went into effect. This code reduces taxable income for employees who are enrolled in one of our Health Benefit Plans. The program allows employees to pay the employee share of the Health Benefit Plan premium with pre-tax dollars, thus reducing their taxable income and increasing their take home pay.

Employees electing either the DoD Uniform Plan or an Army NAF sponsored HMO plan, will automatically be enrolled in the pre-tax health premium program, unless they decline participation on DA Form 3473, Part II.

Certain restrictions apply to IRS Section 125 such as:

1. You may not change your medical coverage during

the calendar year, unless you have a life event recognized by HIPAA.

2. You may not cancel your medical coverage during the calendar year, unless you have a life event recognized by HIPAA.

Cancellations/changes of medical insurance under Section 125, may only occur during an open season period, unless a HIPAA event occurs.

For more detail, please see the information bulletin for NAF personnel on this subject, located at www.nafbenefts.com

Separation--Separating employees are permitted to purchase the 18 month extension coverage, as long as they were participating in the medical insurance plan, underwritten by Aetna, for the 90 day period immediately preceding separation. **Effective 1/1/2000, no provision is made for continuation of dental insurance, under the temporary continued coverage provision.**

Surviving Spouse/Dependents: Effective 1/1/2000, employees who die in service with more than 90 days of participation in the family DoDHBP on the date preceding the employee's death, medical/dental coverage will be continued for the dependents at no cost to them. The spouse's coverage will cease when the spouse remarries. The spouse's coverage may cease earlier if he/she meets one of these conditions.:

- If the employee had completed more than 90 days, but less than 15 years of participation in the Army Medical Program or DoD HBP, all dependent coverage will cease after 120 days (4 months) following the employee's death.
- If the employee had completed 15 or more years of service any dependents coverage will cease when one of the following happens:
 - A dependent ceases to be a defined dependent
 - A dependent becomes eligible for like coverage under this Plan
 - Dependent coverage ceases as to the eligible class of which the employee was a member, right before his/her death.

Children born after the death of the employee will be covered as any other dependent provided the enrollment form is returned to the civilian personnel unit, within 31 days of the child's birth.

Leave Without Pay--LWOP employees and seasonal employees have the right to continue paying the premium for the medical insurance during the **LWOP** period to ensure no loss in coverage. The **LWOP** period may not extend past one full year (365 days). The employer must contribute its share during the **LWOP** period.

Employing NAFI Pays Medical/Life Premiums During LWOP--Effective July 95 AR 215-5, 8-16 becomes obsolete. To preclude hardship on the employee through denial of claims, NAF Financial Services will deduct the premium cost for medical and life insurance participation, from the employing NAFI account. The employer will be notified of the payment and the amount may be collected from the employee. This process will continue throughout the **LWOP** period unless a **DA Form 3473** is completed by the employee indicating cancellation of insurance coverage during the **LWOP** period.

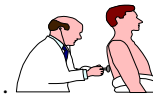
Re-Enrollment Only At Open Season After LWOP Cancellation-- Effective July 95, if the employee elects to drop the medical and/or life insurance coverage and not pay the employee premium share, he/she must wait until the open season period to re-enroll. For life insurance only, employees may submit evidence of insurability and upon approval, may re-enroll outside of the open season period. Evidence of Insurability, does not apply to the medical program. Health coverage will cease on the last day the premium was deducted from the employee's paycheck or the employing NAFI's account.

Disability LWOP--



If the employee is totally disabled (except from a worker's compensation injury or condition), the CPU is to have the employee complete **EBB Form 766-R** which can be found in the forms section of www.nafbenefits.com. It is reproducible. This form will be sent to the Surgeon General by the Employee Benefits Office for disability medical extension determination. If the Surgeon General determines that the employee is totally disabled

from an injury or disease which is not work related, then the employee's medical coverage is extendible (free of charge), for up to one year or as long as the disability lasts, whichever occurs first. Family coverage is not included under the free extension. Employees wishing to continue medical coverage for family members may do so by paying the premiums due for the 12 month extension of medical coverage. After the free single coverage period for the employee has ended, the employee who participated in the Army NAF Medical Plan for the 5 year period immediately preceding retirement, is eligible to purchase retiree family medical coverage, provided he/she is drawing a monthly annuity. Work related injury or disease medical bills should be handled through the Worker's Compensation program.



Evidence of Insurability --

Effective May 98, evidence of insurability for medical coverage was cancelled. The only evidence of insurability available through the NAF Benefits program is for life insurance. Employees may only enroll in the Medical Plan during the Open Season period or within 31 days of employment date or acquiring a new dependent or other life event as recognized by HIPAA.

Premium Amount Determination--The DoD Uniform Health Benefit Plan is self-insured. The bi-weekly premium is an actuarially determined rate based on direct reflection of the costs of medical bills incurred by the participants in the Plans from the prior year. Participants must follow some cost containment features such as calling before hospital admissions (in the U.S) or surgical procedures. Participants must choose a primary care physician (family practitioners, general practitioners, pediatricians, internists and for no more than 2 regular check-ups a year, an obstetrician gynecologist). To reduce out of pocket expenses, participants are encouraged to visit a primary care physician. Visits to any other type of doctor, outpatient testing, surgery, imaging and hospitalization requires authorization from **Aetna**. Additional guidance and benefit descriptions are contained in the **training kits which were distributed at the civilian personnel unit sessions prior to Open Season 1999**. **The prescribing directives are: Aetna DoD HBP Summary Plan Description and AR 215-3.**

Transferred Employees--Employees who were participating in the Army Medical Plan who transfer employment from one NAFI to another NAFI, are permitted to join the **DoD Uniform Plan** or the HMO in the new location, without going through evidence of insurability. For example, if a transfer employee from Europe (Europe does not have Managed Choice or Open Choice), is hired at an installation that is serviced by a Managed Choice or Open Choice or an HMO, the employee may enroll in one of either the DoD Uniform Plan or the HMO, within 31 days of the transfer date. The coverage will not begin until the employee has completed DA Form 3473, made the election, signed and dated the document. The effective date is the date of coverage. The document must then be sent to NAF Financial Services. To ensure continuity of coverage, the employee should be advised by the CPO to enroll on the transfer date.

The prescribing directives are: Aetna Dod Uniform Plan Summary Plan Description and AR 215-3.

**HEALTH MAINTENANCE
ORGANIZATIONS (HMO's)**

These plans are available in certain geographic areas.

Employees may elect this coverage within 31 days of a regular appointment or during the Open Season period.

HMOs offer the services of medical personnel and facilities to residents of a limited geographic area on a fixed, prepaid basis.

The bi-weekly cost for HMO benefits may be more or less than the cost of comparable benefits under the AMLF PPO medical plan. You should consider these factors carefully. Your cost for benefits under the HMO will be split with your employer 50/50. If you choose the New Medical Plan, you will only pay 30% of the premium.

a. Group Model HMO

1). You elect a doctor of your choice, but only from the doctors employed by the HMO. You are normally treated by the doctor you select at the HMO's offices. You may be treated by a doctor who is not employed by the HMO but the expenses for treatment will generally NOT be paid by the health plan except in certain emergency situations.

2). There are usually no claim forms to file; you show your HMO membership card when you are treated by the HMO's doctor and pay a small fee to the cashier. Approved hospital expenses are usually covered at 100%. Prescriptions are usually covered at little or no cost to you. Routine physical examinations are usually covered.

b. Individual Practice Arrangement (IPA) model HMO.

1). You select a doctor of your choice, but only from the doctors who are under Contract to the HMO. You are normally treated by the doctor in his or her private office. You may be treated by a doctor who is not under contract to the HMO, but the expenses for the treatment are generally NOT paid by the HMO except in certain emergency situations.

2). There are generally no claim forms to file; you show your HMO membership card when you are treated by the HMO's doctor and you pay a small fee. Approved hospital expenses are usually covered 100%. Prescriptions are usually covered except for a small charge. Routine physical examinations are usually covered.

New HMOs will not be offered for 2000.

The current HMOs in place will continue to be offered as long as the HMO continues to provide it's service to Army NAF employees.

Any specific questions about covered items should be directed to the individual HMO and not the Employee Benefits Office.

The prescribing directive is provided by the Health Maintenance Organizations

HMO CPU Responsibilities CPUs are responsible for the following procedures:

- a. an annual determination whether the HMO meets (or continues to meet) Federal qualification requirements established by the U.S. Department of Health and Human Services.
- b. establishment and maintenance of benefits which meet minimum acceptable standards and are comparable and generally equivalent to those offered by competing health plans.
- c. agreement upon eligibility rules for employees to be covered by the HMO program.
- d. agreement upon administrative procedures to ensure timely enrollment in program coverages

requested by employees, timely collection of premiums from enrolled employees and their employers as well as timely payment of premiums to the appropriate HMO.

e. CPU and employee complete DA Form 3473 and each respective HMO's own enrollment form. CPU then makes appropriate distribution of the forms.

BASIC LIFE INSURANCE COVERAGE

Employees may elect this coverage within 31 days of appointment to a regular position or during the open season period.

Participants may elect 1 times salary, rounded up to the next \$1000 at the rate of **12 cents** per thousand or elect 2 times salary, rounded up to the next \$1000 at the same rate. Maximum coverage permitted is \$250,000.00 basic life insurance coverage. The cost is 12 cents per thousand for the employee and the 12 cents per thousand from the employer.

Dependent life insurance-All active employee participants will have their dependent children covered for \$2,500 each and spouses covered for \$5,000.00. This feature is NOT available to retirees or non-contributing employees in LWOP status. This feature is free of charge to the participant. Dependents are defined as follows:

- ◆ Your husband or wife if not divorced or legally separated from you
- ◆ Unmarried children (including stepchildren and foster children) up to age 19 who depend on you for support and are not working on a regular, full-time basis
- ◆ Unmarried children (including stepchildren and foster children) up to age 23 who are in school full time, depend on you for support and are not working on a regular, full-time basis.

Effective 1 Jan 01, additional dependent life insurance was added to the program. Eligibility applies the same as for basic life insurance. In addition to the free dependent life insurance for dependents spouses of \$5000 and \$2500 for each dependent child, employees may now elect up to 5 times the amount of free dependent life insurance. Premium for levels 2-5 is fully paid for by the employee. Here are the coverage(s) and rates for 2001

Increment	Spouse	Dependent	Biweekly cost
1	\$5,000	,,, \$2,500	No Cost
2	\$10,000	,,, \$5,000	\$2.35
3	\$15,000	,,, \$7,500	\$4.70

4	\$20,000	\$10,000	\$7.05
5	\$25,000	\$12,500	\$9.40

The rate includes spouse and all eligible children. The employee must be enrolled in the basic life insurance plan to elect additional optional dependent life insurance coverage.

Note: an employee must have worked one full day on or after the effective date of the election, in order for benefits to be payable to the beneficiary of record.

Evidence of Insurability -To enroll outside of the open season period or after 31 days from appointment to a regular position, the employee must complete and submit an Evidence of Insurability Form. If the determination is favorable, the employee will be permitted to enroll in the Plan. The Employee Benefits Office will notify the CPU and the employee once a determination has been made by the Surgeon General.

Life Insurance Coverage for Retirees--

Employees participating in the Life Insurance Plan must also participate in the Retirement Plan and elect a Normal, Early or Disability Benefit at retirement in order to receive free life insurance coverage at Retirement. Retirees must have participated in the Life Insurance Plan for the 5 year period immediately preceding retirement and request an immediate annuity to receive free basic life insurance. The free basic insurance will be the lowest amount of basic insurance the participant had during the 5 year period immediately preceding retirement. At age 65, this free insurance will reduce 2% each month until age 68 years and 2 months when it has reached 25% of the original amount. The 25% amount will be the retiree's lifetime benefit.

Leave Without Pay (LWOP) Disability



LWOP--Waiver of Premium-- If the employee is totally disabled and participated in the life insurance plan for the 5 year period immediately preceding disability, the CPU is to have the employee complete EBB Form 766G which can be found in the back of the Travel Guide. It is reproducible. This form will be sent to the Surgeon General by the Employee Benefits Office for disability life insurance waiver of premium determination. If the Surgeon General determines that the employee is totally disabled, then the life insurance coverage is extendible (free of charge), for as long as the disability lasts. The amount will be the amount in effect on the last day at work in which premiums were paid, if

the employee is under age 62. At age 62, the amount will reduce to the lowest amount in effect during the 5 year period immediately preceding retirement. It will further reduce after age 65 at a rate of 2% per month to a minimum of 25% of the original amount after age 62.

Leave Without Pay No Waiver of Premium--If the participating employee does not qualify for waiver of premium above, the employee has the right to continue making the employee premium payments for the life insurance coverage, on a monthly basis while in a LWOP status (**maximum LWOP period is 365 days**). See **page 12** regarding premium collection. If premium is collected, the amount of insurance in effect is the amount in effect on the last day at work. After the LWOP period of a contributing employee, the employee is permitted to purchase life insurance within 30 days of the last day worked.

Seasonal Employees-- Follow procedures above for Leave Without Pay No Waiver of Premium.

Accidental Death & Dismemberment Coverage--If the employee loses sight of an eye or loses a limb as the result of a non-work related accident, and the loss occurs within 365 days after the accident, this coverage will pay a benefit to the employee. The full benefit is the same amount as the basic life insurance coverage election. This coverage is also called Double Indemnity.

INSURANCE FOR THE LIVING (Accelerated Death Benefit)

For the terminally ill, alot of time may be spent wondering how to pay medical bills and the mortgage, or keep the lights on and the heat up. The accelerated benefit is one of the easiest ways to get cash quick. The accelerated benefit is a payment from the Army Medical Life Fund and not a loan.

Eligibility--Any participating employee of the Army NAF Employee Life Insurance Program who is under age 61 and has participated in the Basic Life Insurance Plan for the 5 year period immediately preceding separation AND who has been diagnosed by his/her physician with less than 12 months to live. If the Surgeon General approves a total disability based on the attending physician's statement, the separating employee will be approved for waiver of basic life insurance premium. Once waiver of premium has been established, the living benefit may be payable.

Maximum Amount Payable--50% of the basic insurance amount approved under waiver of premium or \$100,000.00, whichever is less is payable to the employee. The remainder will be paid after the employee's death, to the designated beneficiary of record.

Applying for Living Benefits--Contact the Employee Benefits Office for the Accelerated Benefits Claim Kit. Employee must continue to make premium payments for the basic life insurance plan during the determination phase. If the employee is in Leave Without Pay (LWOP), he/she must complete DA Form 3473, code 20 electing to continue contributions during LWOP. DA Form 3473's which are coded 21 are not eligible for the living benefit.

TAXES--Unlike conventional life insurance proceeds, accelerated death benefits payable under the Accelerated Benefits provision **MAY BE TAXABLE**. You should consult a personal tax advisor as the Employee Benefits Office is not permitted to give tax advice.

MEDICAID AND SUPPLEMENTAL SECURITY INCOME--Receipt of accelerated death benefits under this Accelerated Benefits provision **MAY AFFECT MEDICAID AND SUPPLEMENTAL SECURITY INCOME** eligibility. Without exercising your option to accelerate benefits, the mere fact that you own an accelerated benefit product will not in and of itself affect your eligibility for these government programs. However, exercising the option to accelerate benefits and receiving those benefits before you apply for these programs, or while you are receiving government benefits, may affect your initial or continued eligibility. Contact the Medicaid Unit of your local Department of Public Welfare and Social Security Administration Office for more information.

Accelerated Benefits After age 62--Waiver of premium is not available to employees over the age of 62, therefore the accelerated benefit is not available this group unless the employee participated for 5 years in both the basic life insurance plan and the retirement plan. If these employees elect a normal annuity, then they are entitled to free life insurance of the lowest amount in effect for the five year period immediately preceding retirement. This amount begins to reduce at age 65 at the rate of 2% per month until it reaches 25% of the original free amount. Due to the reduction of the free life insurance, we must consider requests for an accelerated death benefit on an individual basis.

Please contact the Employee Benefits Office if you have any employees who meet this criteria.

The prescribing directives are: Army NAF Life Insurance Plan Booklet issue date 1 January 2001 and AR 215-5.

Optional Life Insurance Coverage

Employees must have basic life insurance coverage to purchase optional coverage. Participants may elect up to 2 times the basic life insurance election amount, in multiples of \$10,000 only. This coverage is paid in full by the employee. The employer does not provide a matching contribution for this coverage. The premium amount for optional insurance coverage changes every 5 years of age increments. The rate schedule is contained in the current Army NAF Life Plan Booklet at www.nafbenefits.com

i.e. Salary \$16,239, employee elects 2 times salary for basic insurance or \$16,239 times 2 equals \$32,478 and rounded to the next \$1000 is \$33,000.00 basic life insurance. The employee may elect up to 2 times \$33,000 basic or \$66,000 optional insurance, however optional must be in multiples of \$10,000 only so the maximum optional coverage in this example is \$60,000. Maximum amount of optional life insurance permitted is \$500,000, or 2 times basic coverage, whichever is less.

Evidence of Insurability - To enroll outside open season or after 31 days from appointment to a regular position, the employee must complete and submit an Evidence of Insurability Form. If the determination is favorable, the employee will be permitted to enroll in the Plan. The Employee Benefits Office will notify the CPU and the employee once a determination has been made by the Surgeon General.

Optional insurance rates vary with age.

Optional Life Insurance Coverage for Retirees--Employees who participated in the Optional Life Insurance Plan for the 5 year period immediately preceding retirement, or if the employee participated for 15 years, the employee is eligible to continue the lowest amount of optional coverage in effect during the 5 years just before retirement. The retiree must pay the full cost of the coverage until age 65 at which time there is no cost. Beginning at age 65, the amount of the benefit will be reduced 2% each month for 50 months, at which time this coverage will end.

The prescribing directives are: Army NAF Life Plan Booklet, issue date 1 January 2001, and AR 215-3.

Enrolling Your New Army NAF Employee

Benefits Videos

Show the new regular employee the Videos which were supplied to all CPUs. These are the videos available which every employee should review to know what is available to him/her as a regular NAF employee. These videos were developed to aid the CPU with benefits counseling at date of hire:

1. NAF Employee Benefits Video (Run time approx. 15 min.)--This video was sent to all CPUs in the Fall of 1996. The video is set up in interview style with various regular Army NAF employees from different installations, who participate in the Benefits Program. The video contains a brief explanation of all of the benefits offered to regular Army NAF employees.

2. 401(k) Stages Retirement Game Video Series (Run time 16 min.)--Sent to all CPUs in Fall of 1997. The Stages Retirement Game explains in layman's terms what a 401(k) Savings Plan is and why it is a valuable benefit. The video series has 4 additional videos which should be viewed after the Stages Retirement Game, based on the interests and questions of the new employee. These videos were developed by Fidelity Investments Inc. to help future participants understand 401(k) Plans and which investment strategy is best for the new or current employee:

1. Life After Work (8 min.)
2. Asset Allocation (10 min.)
3. About Mutual Funds (8 min.)
4. Beyond the Basics (8 min.)

Counsel the new employee on all of the benefits available to him/her described in the previous pages of this booklet. Be sure the employee understands the value and benefit each program will bring for him/her and his/her family. Obtain DA Form 3473 from your procurement officer. Use DA Form 3473 Part I and Part II, edition Oct 2000.

Forms needed for enrolling new employees in the employee benefit programs

US Army NAF Retirement Plan
DA Form 3473, Part I, edition Oct 2000

Dod Uniform Health Plan & HMO Plans
DA Form 3473, Part II, edition Oct 2000
And Aetna Enrollment Form or HMO enrollment form

US Army NAF Life Insurance Plan
DA Form 3473, Part II, edition Oct 2000

US Army NAF 401(k) Savings Plan
DA Form 7426, edition Jan 2001

All forms are available at www.nafbenefits.com for download.

Completing DA Form 3473, Part I and II, edition date Oct 2000

1. **Part I--Retirement Participation**--Complete all boxes from box 1 through box 23. If a certain section is not applicable (i.e. Spouse Data because the employee is single), write "N/A" in the appropriate box. Retirement participation is mandatory for all new hires, rehires, after 1 Jan 01.

2. Follow the instructions on the back of Part I. If you have any questions, contact the Employee Benefits Office at 703-681-7262, DSN 761-7262 or toll free from the United States 1-877-384-2340 . All other countries call collect or use AT&T access codes for calling toll free numbers internationally.

3. Complete this form even if the employee does not wish to participate in the retirement plan. The transaction code in box 4 should be coded 00 for no enrollment and coded 01 for new enrollments. The Employee Benefits Office copy should not be sent for a code 00, but rather filed with the Employee's OPF.

Completing Part II

1. **Group Insurance Elections**--Complete each box from 1 through 23. Make sure to add all dependent data information in box 17. This is a new section from the previous editions of DA Form 3473.

2. Follow instructions on the back of Part II. See numbers 2 and 3 above and follow the same instructions for form submission.

3. **Dod Uniform Plan coverage, HMO coverage and life insurance coverage**, will begin the date the employee signs the election form. Employees must work one full day in order for any insurance coverages to become effective. Premium

deductions will begin the first full payperiod, after enrollment. The Aetna Enrollment Form must accompany the DA 3473 Part II for those employees electing participation in the DoD Uniform Health Plan. The HMO Enrollment Form must accompany the DA 3473 Part II for those employees electing participation in an Army NAF sponsored HMO plan.

4. The new enrollment date will not show up at Aetna or the HMO until approximately 30 days after enrollment. This delay is because Army NAF employees are paid 2 weeks in arrears and the processing time required for the National Finance Center (NFS) to enter the data and then send a magnetic tape to the Employee Benefits Office. The Employee Benefits Office must load this tape to the Benefits Database and verify the information. Once verified, the tape information is sent to Aetna electronically for updates. New employees should be counseled to contact the Employee Benefits Office if they are seeking medical treatment within 30 days of enrollment, or use their enrollment form as proof of coverage with the doctor or hospital. The Employee Benefits Office will be able to pull the benefits file and verify coverage from the new DA Form 3473 and the corresponding insurance company enrollment form, which the CPU sent to us with the new election. Make sure to advise the employee to have physicians or hospitals contact the Employee Benefits Office during business hours which are Eastern Standard Time 7:30 am through 6:00 PM, Monday through Friday. All other calls for benefit verification should be directed to Unicare during their business hours which are Eastern Standard Time 8:00 am through 4:30 PM, Monday through Friday.

Separating Employees Benefits Counseling

Forms needed to separate the NAF employee from the benefits programs:

US Army NAF Retirement Plan
DA Form 3473, Part I, code 04

Dod Uniform Plan & HMO Plans
DA Form 3473, Part II, code 04 and Aetna Form to terminate coverage from Aetna.

US Army NAF Life Insurance Plan
DA Form 3473, Part II, code 04

US Army NAF 401(k) Savings Plan
No form needed. Employee calls Fidelity Investments, 30 days after separation from employment.

1. Complete DA Form 3473, transaction code 04. Complete both Part I and II if the employee is enrolled in retirement and medical or life insurance. Complete Aetna Enrollment/Change form for employees in the Dod Uniform Health Plan. Complete termination section of form.
 2. Determine if the employee is eligible for retirement benefits. If so, proceed to retirement benefit counseling below.
 3. If the employee is not eligible for retirement benefits but was participating in the Dod Uniform Plan, determine if the employee wishes to participate in the 18 month extension plan. The employee must have participated in the Dod Uniform Plan for the 90 day period immediately preceding the separation to be eligible for this benefit. The rates are available from Aetna and at www.NAFbenefits.com. All 18 month extension requests must be received at Aetna before 60 days after separation. The employee will be responsible for all premium due from the date of separation up through the month following the month in which the application form was received. Because of this requirement, it is essential that the employee determines if he/she would like to extend this coverage, as soon as possible and submit the form. This will prevent an undue financial burden of possibly paying for 3 months premium initially. Aetna will send a bill for the premium due once the application has been received. The employee will also receive monthly invoices for continuance of this coverage.
- It is also important for the employee to understand that if he/she did not elect the 18 month extension, but received medical treatment within 60 days after separation and then decided to enroll in the Plan, obviously when the hospital or doctor calls the Employee Benefits Office to verify coverage during this period, coverage will be denied because application and the first premium had not been received. However, once the application and premium are received, Aetna will pay any bills which were incurred during this period.
4. If the employee was a participant in an HMO, contact the HMO for information regarding their COBRA extensions.

Applying for the Retiree Medical Plan

1. Effective 1 JAN 01, the Army Medical Life Fund (AMLF) began to subsidize 65% of the retiree medical insurance premium. Retirees pay

only 35% of the premium. The retiree medical Program includes dental insurance.

The following rules define who is eligible to participate in the subsidized retiree medical program:

- a. All participating retirees who are paying the full retiree medical premium. Retirees in the free premium window between the ages of 62 and 65 will continue to receive premium waiver until age 65 at which time they will be eligible for subsidized retiree medical premium.
- b. Any active employee who is participating in the Army NAF medical program (DoD Uniform Plan or HMO Plan) on 31 December 1999, with a minimum of five years of participation immediately preceding retirement and who subsequently retires and receives an immediate monthly annuity from the USA NAF Retirement Plan.
- c. Any active employee who is participating in the Army NAF medical program on 31 December 1999, who subsequently retires between the ages of 62 and 65 on an immediate annuity and has 15 years participation in the Army NAF medical program, of which 5 years must immediately precede retirement, will receive free retiree medical insurance until age 65. After age 65, retiree is eligible for subsidized retiree medical premium.
- d. For Employees enrolling in the DoD Uniform Plan or an Army sponsored HMO after 1 January 2000, retiree medical insurance eligibility will require:
 1. Enrollment and participation in the Army NAF medical program for a minimum of 15 years, to include the 5 years immediately preceding retirement, and
 2. Retirement from the US Army NAF Retirement Plan and receipt of an immediate monthly annuity..

The Retiree Medical Plan Enrollment Form will be sent to the retiree by the Employee Benefits Office, upon receipt of request for annuity.

If the employee elects this coverage, the monthly premium will be deducted from his/her monthly annuity check. If the amount of the annuity check is not enough to cover the premium cost, the retiree will be billed separately on a monthly basis

Retirees electing a deferred retirement benefit or a refund of contributions and interest, are not eligible to participate in this Plan. See TCC Plan

Free Retiree Medical Insurance
(Age 62-65)

1. Prior to 1 January 2000, If the retiree elects a normal or early annuity and participated in the AMLF medical/Dod Uniform Plan for 15 years, and is between the ages of 62 through 65, he/she will receive free medical insurance until age 65. The coverage will be identical to the coverage the employee participated in at retirement. The Employee Benefits Office will notify the retiree of this benefit with his/her retirement option papers.
2. After age 65, the retiree will be eligible to participate in the Retiree Medical Plan through premium payment. Follow instructions above for the Retiree Medical Plan. The Employee Benefits Office will notify the retiree the month before his/her 65th birthday that the free coverage will end and we will send the retiree an application and current premium information.
3. Retirees electing a deferred retirement benefit or a refund of contributions and interest, are not eligible for this coverage. See 18 month extension plan.

Applying for Free Life Insurance Coverage
for Retirees

1. If the employee elects a normal or early annuity benefit, and he/she was participating in the life insurance plan for the 5 year period immediately preceding retirement, he/she will receive free life insurance coverage. The Employee Benefits Office will notify the retiree of this coverage with his/her option papers. The amount of coverage provided free of charge is the lowest amount of BASIC coverage in effect during the 5 year period immediately preceding retirement. At age 65, this coverage will reduce at the rate of 2% per month to a minimum of 25% of the original free amount.
2. Retirees electing a deferred annuity or a refund of contributions and interest are not eligible for this benefit.

Applying for Free Optional Life Insurance

1. If a retiree elects a normal or early annuity and he/she participated in the Optional Life Insurance Plan for the 5 year period immediately

preceding retirement, he/she is eligible to continue paying premium for this coverage until his/her 65th birthday at which time it is provided free of charge. At age 65, the coverage will begin reducing 2% per month for 50 months, at which time this coverage will end. The Employee Benefits Office will notify the retiree of this coverage option with his/her retirement option papers.

2. Retirees electing a deferred annuity or a refund of contributions and interest are not eligible for this benefit.

The Retirement Annuity Benefit

1. Separating employees who participated in the Retirement Plan for at least 5 years and are at least age 52 or are age 50 with 20 years of service, are eligible to elect an early **reduced** annuity benefit. An **unreduced** normal annuity benefit is available at age 62. The following age and participation requirements will also produce an unreduced annuity benefit:

Any age equal to or over 55 with 30 years participation in the Plan
and

Any age equal to or over 60 with 20 years participation in the Plan.

2. An employee who is vested with 5 or more years in the Plan and is age 52 or over, would receive the most from the Retirement Plan if he/she elected an annuity. Requests for refunds **eliminate** the retiree's eligibility for free retiree medical insurance, retiree medical insurance, free life insurance and free optional life insurance.

This is a very important fact on which to counsel the retiree. Although a retiree may think the large lump sum of contributions and interest is much more desirable than a smaller monthly amount, the retiree should understand that the monthly annuity amount will continue for the rest of his/her life and a survivor benefit of 55% will be provided to his/her spouse for the rest of the spouse's life, if the retiree dies before the spouse. As stated in the example on the second page of this booklet, the retiree will receive all contributions and interest in monthly benefit payments, generally within 1-2 years and for the rest of his/her life, he/she will receive NAF money! The CPU should make this point clear by explaining the scenario on page 2 of this booklet to the retiree.

3. A retiree who wishes to elect a normal or early annuity must complete DA Form 3715-R. A reproducible copy is attached to this booklet. All sections of this form must be completed to

ensure speedy processing of the employee's retirement benefit.

4. DA Form 3715-R, DA Form 3473 and any Medical and Life Insurance Plan Extension Forms should be completed together and submitted at least one month prior to the employee's official retirement date.

5. The retiree's separation date is important for the following reason: If the retiree separates on the 1st of any month, the retirement benefit will not become effective until the 1st of the following month, therefore it is in the retiree's best interest to separate on the last day of the month (the 30th or 31st) so that his/her retirement benefit will begin one day later rather than 30 days later!

6. The Retirement Projection calculation is available for download from www.Nafbenefits.com. Employees may find this spreadsheet beneficial in his/her retirement preparations. The calculation is a Microsoft Excel Spreadsheet. We recommend you use this calculation and show the estimated retirement benefits to the new retiree. The retiree may also send a written request to the Employee Benefits Office at any time during the year and request a projection of retirement benefits. Look at the retiree's cumulative retirement contribution amount on the last leave and earnings statement and divide the life annuity benefit into the cumulative retirement contribution. The answer is the number of months it will take before all contributions have been received. After that point, the employee receives Army NAF Retirement Plan money for the rest of his/her life!

7. W-2 statements for the 3 year period immediately preceding retirement are required from CPUs who are not serviced by the Central NAF Payroll Office (CNPO). In addition, the CPU should inform the retiree to send a copy of his/her last leave and earnings statement. These forms are used to determine the retiree's Hi-3 average annual salary which is part of the annuity benefit calculation. CPUs serviced by a CNPO are not required to send this information.

8. The Employee Benefits Office assumes the last 3 consecutive years of employment will create the greatest Hi-3 average annual salary for annuity computation purposes. If the employee's wages were higher at another time during his/her career, the CPU should obtain the W-2 statements for the 3 consecutive years which will create a higher average annual salary for the annuity. If the W-2's for this prior timeframe are

not available, the Employee Benefits Office will request prior salary history from the Central NAF Payroll Office, however this process takes about 8 weeks. Please notify the Employee Benefits Office at retirement if this situation arises.

Requests for Refunds of Contributions and Interest

1. Separating employees with less than 5 years of participation in the retirement plan are not eligible to request a normal or early annuity. These employees are eligible to receive a refund of their contributions and interest or they may elect to leave their contributions and interest on deposit (MOD) for a maximum of 5 years. The latter election may be desirable if the separating employee thinks that he or she may return to Army NAF employment in the near future. This will prevent having to exercise the option to "buyback" credited service upon re-employment. If the employee elects this option and does not return to Army NAF employment within 5 years, he/she must send a written request to the Employee Benefits Office to request a refund of retirement contributions and interest.

2. One drawback in requesting an MOD for 5 years is that the employee often forgets he/she has left money on deposit. It is usually very difficult to track these employees after separation as they often move. Please advise an employee wishing to apply for an MOD to inform the Employee Benefits Office in writing of any address changes after separation.

401(k) Plan Distributions

1. Separating employees may leave their money in their account by paying the quarterly maintenance fee of \$4.25. This fee is deducted from the employee's account and is shown on the quarterly statements.

2. Separating employees may elect to rollover their account to an individual IRA. Fidelity Investments offers a "no-load" rollover IRA which has the same investment options as the current active participants of the Army NAF 401(k) Savings Plan. Fidelity Investments supplies a rollover kit for separating employees. To obtain this kit, contact Fidelity Investments.

3. The separating employee must call Fidelity Investments Inc. to request a payout of his/her contributions. No payouts will be released until 30 days after separation from employment

4. Often, separating employees will receive a lump sum annual leave check after separation of employment. 401(k) contributions will be taken from this check unless the separating employee elects to stop contributions prior to separation on the EBB 401(k) Enrollment Form, box 14. If the employee does not elect to stop 401(k) contributions prior to separation, the employee may not receive all of his or her contributions in the 401k account. Often, employees have received a payout from their account when a trailing contribution comes in from payroll and is deposited after the account has been paid out to the employee. By law, the employee is not required to stop contributions to the 401(k) Plan. Please alert the employee to continue to check at Fidelity or on his/her statement and see if additional contributions arrived after payout was requested. The employee then can call Fidelity and request a payout of those funds.